

Unless the Administrative Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrowers will not make such payment, the Administrative Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Base Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

**D. Notes.** The Borrowers shall execute and deliver on the Effective Date to each Lender requesting the same (or to the Administrative Agent for that Lender) a Note substantially in the form of Exhibit VIII annexed hereto to evidence that Lender's Loan. Any Lender not receiving a Note may request at any time that the Borrowers issue it such Note on the terms set forth herein, and the Borrowers agree to issue such Note promptly upon the request of a Lender. The Notes and the Obligations evidenced thereby shall be governed by, subject to and benefit from all of the terms and conditions of this Agreement and the other Loan Documents and shall be secured by the Collateral.

## **2.2 Interest on the Loans.**

**A. Rate of Interest.** Subject to the provisions of subsections 2.2E, 2.6 and 2.7, each Loan shall bear interest on the unpaid principal amount thereof from the date made to maturity (whether by acceleration or otherwise) at a rate determined by reference to the Base Rate or the Reserve Adjusted Eurodollar Rate, as the case may be. The Loans shall be made as Base Rate Loans as of the Effective Date (it being understood that Loans may be converted into Eurodollar Rate Loans after the Effective Date in accordance with the provisions of subsection 2.2D). If on any day any Loan is outstanding with respect to which notice has not been delivered to the Administrative Agent in accordance with the terms of this Agreement specifying the applicable basis for determining the rate of interest, then for that day that Loan shall bear interest determined by reference to the Base Rate. Subject to the provisions of subsections 2.2E, 2.6 and 2.7, the Loans shall bear interest through maturity as follows:

- (i) if a Base Rate Loan, then at the sum of the Base Rate plus the Applicable Base Rate Margin; or
- (ii) if a Eurodollar Rate Loan, then at the sum of the Reserve Adjusted Eurodollar Rate for the relevant Interest Period plus the Applicable Eurodollar Rate Margin.

**B. Interest Periods.** In connection with each Eurodollar Rate Loan, the Borrowers may, pursuant to the applicable Notice of Conversion/Continuation select an interest period (each an "**Interest Period**") to be applicable to such Loan, which Interest Period shall be, at the Borrowers' option, either a one (1), two (2), three (3) or six (6) month period; provided that:

- (i) the initial Interest Period for any Eurodollar Rate Loan shall commence on the date specified in the applicable Notice of Conversion/Continuation, in the case of a Loan converted to a Eurodollar Rate Loan;
- (ii) in the case of immediately successive Interest Periods applicable to a Eurodollar Rate Loan continued as such pursuant to a Notice of Conversion/Continuation, each

successive Interest Period shall commence on the day on which the next preceding Interest Period expires;

(iii) if an Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided that, if any Interest Period would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iv) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (v) of this subsection 2.2B, end on the last Business Day of a calendar month;

(v) no Interest Period with respect to any portion of the Loans shall extend beyond the Maturity Date;

(vi) the Borrowers may not select an Interest Period of longer than one (1) month prior to the end of the period commencing on and including the Effective Date and ending on the earlier of (a) the date on which the Syndication Agent notifies the Borrowers that it has concluded its primary syndication of the Loans and the Commitments and (b) thirty (30) days after the Effective Date;

(vii) there shall be no more than eight (8) Interest Periods outstanding at any time; and

(viii) in the event the Borrowers fail to specify an Interest Period for any Eurodollar Rate Loan in the applicable Notice of Conversion/Continuation, the Borrowers shall be deemed to have selected an Interest Period of one (1) month.

**C. Interest Payments.** Subject to the provisions of subsection 2.2E below, interest on each Loan shall be payable in arrears on each Interest Payment Date applicable to that Loan, upon any prepayment of that Loan (to the extent accrued on the amount being prepaid) and at maturity (including final maturity, by acceleration or otherwise); provided that in the event that any Loans that are Base Rate Loans are prepaid pursuant to subsection 2.4B(i), interest accrued on such Loans through the date of such prepayments shall be payable on the next succeeding Interest Payment Date applicable to Base Rate Loans (or, if earlier, at final maturity).

**D. Conversion or Continuation.** Subject to the provisions of subsection 2.6, the Borrowers shall have the option: (i) to convert at any time all or any part of the outstanding Loans equal to \$1,000,000 and integral multiples of \$500,000 in excess of that amount from Loans bearing interest at a rate determined by reference to one basis to Loans bearing interest at a rate determined by reference to an alternative basis; provided, however, that a Eurodollar Rate Loan may only be converted into a Base Rate Loan on the expiration date of an Interest Period applicable thereto; or (ii) upon the expiration of any Interest Period applicable to a Eurodollar Rate Loan, to continue all or any portion of such Loan equal to \$1,000,000 and integral multiples of \$500,000 in excess of that amount as a Eurodollar Rate Loan.

The Borrowers shall deliver a Notice of Conversion/Continuation to the Administrative Agent no later than 11:00 a.m. (New York time) at least one (1) Business Day in advance of the proposed conversion date (in the case of a conversion to a Base Rate Loan), and at least three (3) Business Days in

advance of the proposed conversion/continuation date (in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan). A Notice of Conversion/Continuation shall specify (i) the proposed conversion/continuation date (which shall be a Business Day), (ii) the amount and type of the Loan to be converted/continued, (iii) the nature of the proposed conversion/continuation, (iv) in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan, the requested Interest Period and (v) in the case of a conversion to, or a continuation of, a Eurodollar Rate Loan, that no Default or Event of Default has occurred and is continuing. In lieu of delivering the above-described Notice of Conversion/Continuation, the Borrowers may give the Administrative Agent telephonic notice by the required time of any proposed conversion/continuation under this subsection 2.2D; provided that such notice shall be promptly confirmed in writing by delivery of a Notice of Conversion/Continuation to the Administrative Agent on or before the proposed conversion/continuation date. With respect to any Eurodollar Rate Loans, if the Borrowers shall fail to deliver a Notice of Conversion/Continuation to the Administrative Agent as described above in this paragraph and no Default or Event of Default has occurred and is continuing, upon expiration of any Interest Period applicable to such Eurodollar Rate Loans the Borrowers shall be deemed to have delivered a Notice of Conversion/Continuation electing to continue such Loans, upon expiration of the current Interest Period applicable thereto, as Eurodollar Rate Loans with an Interest Period of one (1) month.

Neither the Administrative Agent nor any Lender shall incur any liability to the Borrowers in acting upon any telephonic notice referred to above that the Administrative Agent believes in good faith to have been given by a duly authorized officer or other Person authorized to act on behalf of the Borrowers or for otherwise acting in good faith under this subsection 2.2D, and upon conversion or continuation of the applicable basis for determining the interest rate with respect to any Loans in accordance with this Agreement pursuant to any such telephonic notice, the Borrowers shall have effected a conversion or continuation, as the case may be, hereunder.

Except as otherwise provided in subsections 2.6B, 2.6C and 2.6G, a Notice of Conversion/Continuation for conversion to, or continuation of, any Eurodollar Rate Loan (or telephonic notice or deemed notice in lieu thereof) shall be irrevocable, and the Borrowers shall be bound to effect a conversion or continuation in accordance therewith.

**E. Post-Default Interest.** Upon the occurrence and during the continuation of any Event of Default (x) under subsections 7.1 or 7.7, and (y) during the continuation of any other Event of Default, following written notice thereof to the Borrowers, at the election of the Administrative Agent (which may be revoked at the option of the Requisite Lenders notwithstanding any provision of subsection 9.5A that would require the consent of all Lenders thereto), the outstanding principal amount of all Loans and, to the extent permitted by applicable law, any interest payments thereon not paid when due and any fees and other amounts then due and payable hereunder, shall thereafter bear interest (including post-petition interest in any proceeding under the Bankruptcy Code, or other applicable bankruptcy or insolvency laws) payable upon demand at a rate that is 2% per annum in excess of the interest rate otherwise payable under this Agreement with respect to the applicable Loans (or, in the case of any such fees and other amounts, at a rate which is 2% per annum in excess of the interest rate otherwise payable under this Agreement for Loans bearing interest at a rate determined by reference to the Base Rate); provided that, in the case of Eurodollar Rate Loans, upon the expiration of the Interest Period in effect at the time any such increase in interest rate is effective such Eurodollar Rate Loans shall thereupon become Base Rate Loans and shall thereafter bear interest payable upon demand at a rate equal to 2% per annum in excess of the interest rates otherwise payable under this Agreement for Base Rate Loans. Payment or acceptance of the increased rates of interest provided for in this subsection 2.2E is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of the Administrative Agent or any Lender.

**F. Computation of Interest.** Interest on the Loans shall be computed on the basis of a 360-day year (a 365 or 366-day year, as applicable, in the case of Base Rate Loans based on the Prime Rate) and for the actual number of days elapsed in the period during which it accrues. In computing interest on any Loan, the date of the making of such Loan or the first day of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted from a Eurodollar Rate Loan, the date of conversion of such Eurodollar Rate Loan to such Base Rate Loan, as the case may be, shall be included, and the date of payment of such Loan or the expiration date of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted to a Eurodollar Rate Loan, the date of conversion of such Base Rate Loan to such Eurodollar Rate Loan, as the case may be, shall be excluded; provided that if a Loan is repaid on the same day on which it is made, one day's interest shall be paid on that Loan.

**2.3 Fees.**

The Borrowers agree to pay such fees to the Agents as may hereafter be (or have previously been) agreed upon.

**2.4 Repayments and Prepayments; General Provisions Regarding Payments.**

**A. Scheduled Payments of Loans.**

The Borrowers shall make principal payments on the Loans in installments in amounts equal to a percentage of the Loans funded on the Effective Date as set forth below and on the dates set forth below (provided that any such payment that is stated to be due on a day that is not a Business Day shall instead be due on the next preceding Business Day):

DATE	AMORTIZATION SCHEDULE
December 31, 2005	2.50%
March 31, 2006	2.50%
June 30, 2006	2.50%
September 30, 2006	2.50%
December 31, 2006	2.50%
March 31, 2007	2.50%
June 30, 2007	2.50%
September 30, 2007	2.50%
December 31, 2007	2.50%
March 31, 2008	2.50%
June 30, 2008	2.50%
September 30, 2008	2.50%
December 31, 2008	2.50%
March 31, 2009	2.50%
June 30, 2009	2.50%
September 30, 2009	2.50%
December 31, 2009	2.50%
March 31, 2010	2.50%
June 30, 2010	2.50%
Maturity Date	Remaining Principal (after giving effect to any voluntary or mandatory prepayments in accordance with subsection 2.4C)

The scheduled installments of principal of the Loans set forth above shall be reduced in connection with any voluntary or mandatory prepayments of the Loans in accordance with subsection 2.4B on a pro rata basis to the remaining scheduled installments of principal due thereafter through and including the Maturity Date. The final installment on the Maturity Date specified above for the repayment by the Borrowers of the Loans shall be in an amount sufficient to repay all amounts owing by the Borrowers under this Agreement with respect to the Loans. Concurrently with each payment of principal pursuant to this subsection 2.4A the Borrowers shall deliver to the Administrative Agent an Officer's Certificate that identifies the source of the funds used to finance such payment, including a statement as to whether such payment of the Loans is being made directly or indirectly with the proceeds of any issuance of debt Securities or other Indebtedness of any of the Borrowers or any Subsidiary.

#### **B. Prepayments of Loans.**

##### **(i) Voluntary Prepayments.**

(a) Subject to the terms of subsection 2.4B(i)(b), the Borrowers may, upon not less than three (3) Business Days' prior irrevocable written or telephonic notice, promptly confirmed in writing to the Administrative Agent (which notice the Administrative Agent will promptly transmit to each Lender), at any time and from time to time prepay the Loans on any Business Day in whole or in part in an aggregate minimum amount of \$1,000,000 and integral multiples of \$500,000 in excess of that



amount or such lesser amount as is then outstanding; provided, however, that in the event the Borrowers elect to prepay a Eurodollar Rate Loan other than on the expiration of the Interest Period applicable thereto, the Borrowers shall, at the time of such prepayment, also pay any amounts payable under subsection 2.6D hereof; and provided, further, that if such notice of prepayment indicates that such prepayment is with respect to all outstanding Loans and is to be funded with the proceeds of a Refinancing, such notice may be revoked if the Refinancing is not consummated. Notice of prepayment having been given as aforesaid, the Loans shall become due and payable on the prepayment date specified in such notice and in the aggregate principal amount specified therein. Any voluntary prepayments pursuant to this subsection 2.4B(i) shall be applied as specified in subsection 2.4C. Concurrently with each voluntary prepayment pursuant to this subsection 2.4B(i) the Borrowers shall deliver to the Administrative Agent an Officer's Certificate that identifies the source of the funds used to finance such voluntary prepayment, including a statement as to whether such voluntary prepayment of the Loans is being made directly or indirectly with the proceeds of any issuance of debt Securities or other Indebtedness of any of the Borrowers or any Subsidiary.

(b) Call Protection. In the event that for any reason the Loans are voluntarily prepaid in whole or in part pursuant to subsection 2.4B(i)(a) on or prior to the second anniversary of the Effective Date, in each case the Borrowers shall pay to the Lenders a prepayment premium on the amount so prepaid as follows:

<u>Relevant Period in which prepayment occurs</u>	<u>Prepayment Premium (expressed as a percentage of amount repaid)</u>
On or prior to the first anniversary of the Effective Date	2.0%
After the first anniversary of the Effective Date and on or prior to the second anniversary of the Effective Date	1.0%

(ii) Mandatory Prepayments.

The Loans shall be prepaid in the manner provided in subsection 2.4C upon the occurrence of the following circumstances:

(a) Prepayments Due to Issuance of Debt. Subject to the terms of subsection 2.4B(ii)(f), no later than the first (1st) Business Day following the closing of any transaction pursuant to which any of the Borrowers or any of their Subsidiaries issue debt Securities or incur additional Indebtedness for borrowed money (other than Indebtedness permitted under subsection 6.1), the Borrowers shall prepay the Loans in an amount equal to the principal amount of such debt Securities or Indebtedness for borrowed money, net of the underwriting discounts and commissions paid or payable to the Borrowers or their Subsidiaries, plus an amount equal to the prepayment premium, if any.

(b) Prepayments Due to Issuance of Equity Securities. No later than the first (1st) Business Day following the closing of any transaction pursuant to which any of the

Borrowers or any of their Subsidiaries receive any Equity Proceeds (other than Equity Proceeds received by (i) any Borrower from Investments made by Rhodes or any of the Parents (other than Rhodes Ranch LLC) in such Borrower, (ii) a Borrower's wholly-owned Subsidiary from Investments made by a Borrower or another of its Subsidiaries in such Subsidiary and permitted by subsection 6.3 or (iii) subject to subsection 2.4B(ii)(e), any Borrower or any of their Subsidiaries as Golf Course Equity Payments), the Borrowers shall prepay the Loans in an aggregate amount equal to 50% of such Equity Proceeds.

(c) Prepayments Due to Insurance and Condemnation Proceeds. No later than the fifth (5th) Business Day following the date of receipt by any of the Borrowers or any of their Subsidiaries of any cash payments which exceed \$1,000,000 under any insurance policy as a result of any damage to or loss of all or any portion of the Collateral (net of actual and documented costs actually incurred by the Borrowers or any of their Subsidiaries in connection with adjustment and settlement thereof, "**Insurance Proceeds**") or any proceeds resulting from the taking of assets by the power of eminent domain, condemnation or otherwise (net of actual and documented reasonable costs incurred by the Borrowers or any of their Subsidiaries in connection with adjustment and settlement thereof, "**Condemnation Proceeds**") (any such event resulting in the recovery of Insurance Proceeds or Condemnation Proceeds, a "**Recovery Event**"), the Borrowers shall prepay the Loans in an amount equal to the Insurance Proceeds or Condemnation Proceeds, as the case may be, received; provided that such Insurance Proceeds shall not be required to be applied to prepay the Loans on such date so long as no Default and no Event of Default has occurred and is continuing and the Borrowers have delivered to the Administrative Agent an Officer's Certificate on such date (i) demonstrating in reasonable detail the derivation of the Insurance Proceeds of the correlative Recovery Event and (ii) stating that such Insurance Proceeds (or a portion thereof) shall be used to replace or restore any properties or assets in respect of which such Insurance Proceeds were paid within 360 days following the date of the receipt of such Insurance Proceeds (which certificate shall set forth the estimates of the Insurance Proceeds to be so expended); and provided, further, that if all or any portion of such Insurance Proceeds not required to be so applied pursuant to the preceding proviso are not so used within 360 days after the date of the receipt of such Insurance Proceeds (or such earlier date, if any, as the applicable Loan Party determines not to reinvest the Insurance Proceeds relating to such Recovery Event as set forth above), such remaining portion shall be applied on the last day of such period (or such earlier date, as the case may be) as provided above in this subsection 2.4B(ii)(c) without regard to the immediately preceding proviso. Any Insurance Proceeds that the Loan Parties intend to use for repair or replacement of assets as provided above shall be held in a cash collateral account as security for the Obligations and the Second Lien Obligations pending use for such repair or replacement. Concurrently with any prepayment of Loans pursuant to this subsection 2.4B(ii)(c), the Borrowers shall deliver to the Administrative Agent an Officer's Certificate demonstrating in reasonable detail the derivation of the Insurance Proceeds or Condemnation Proceeds, as the case may be, of the correlative Recovery Event.

(d) Prepayments from Excess Cash Flow. In the event that Excess Cash Flow shall be positive for any Fiscal Year (commencing with the Fiscal Year ending December 31, 2006), the Borrowers shall, no later than the date upon which the Borrowers are required to deliver financial statements under subsection 5.3(ii) with respect to the applicable Fiscal Year, prepay the Loans in an aggregate amount equal to

(x) with respect to any Fiscal Year ending on a date that is not a Trigger Date, 100% of such Excess Cash Flow and (y) with respect to any Fiscal Year ending on a Trigger Date, 50% of such Excess Cash Flow.

(e) Prepayments of Golf Course Equity Payments. No later than the date upon which the Borrowers are required to deliver financial statements under subsection 5.3(ii) with respect to each Fiscal Year, commencing with Fiscal Year ending December 31, 2006, the Borrowers shall prepay the Loans in an amount equal to all Golf Course Equity Payments made in connection with a Golf Course Operation Deficit Amount arising with respect to such Fiscal Year.

(f) Call Protection. In the event that the Loans are prepaid in whole or in part pursuant to subsection 2.4B(ii)(a) on or prior to the second anniversary of the Effective Date, in each case the Borrowers shall pay to the Lenders a prepayment premium on the amount so prepaid as follows:

<u>Relevant Period in which prepayment occurs</u>	<u>Prepayment Premium (expressed as a percentage of amount repaid)</u>
On or prior to the first anniversary of the Effective Date	2.0%
After the first anniversary of the Effective Date and on or prior to the second anniversary of the Effective Date	1.0%

(iii) No Waiver. Nothing contained in subsection 2.4B(ii) shall be deemed to permit any Loan Party to incur Indebtedness or enter into any transaction not otherwise permitted under this Agreement.

### **C. Application of Prepayments.**

(i) Application of Prepayments. Each prepayment received by the Administrative Agent from the Borrowers under subsection 2.4B(i) or (ii) with respect to the Loans shall be applied in the following order: First, to the payment of any late charges due and payable hereunder; second, to the repayment of any amounts advanced by the Administrative Agent or the Collateral Agent in accordance with the Mortgages or any of the other Collateral Documents for insurance premiums, taxes, assessments or for preservation or protection of the Collateral and to the payment of all costs and expenses incurred by the Administrative Agent or the Collateral Agent in connection with the collection of the Loans or under, or in connection with, the Loan Documents (including all attorneys' fees payable hereunder); third, to the payment of accrued and unpaid interest to the extent then due and payable; fourth, to fund any reserves or escrows required by the Administrative Agent or the Collateral Agent in accordance with the terms of the Mortgages or any of the Collateral Documents; fifth, to the payment of any LIBOR breakage costs incurred by Lenders on account of such payment; sixth, to reduction of the outstanding principal balance of the Loans (provided that any First Lien Declined Amounts to be applied pursuant to this clause sixth shall be distributed first, to the prepayment, on a pro rata basis, of the Loans held by Lenders that have elected to accept such First Lien Declined Amounts and, second, to the prepayment of Second Lien Loans or as may otherwise be required in



accordance with the terms of the Second Lien Credit Agreement); and seventh, to the prepayment of Second Lien Loans or as may otherwise be required in accordance with the terms of the Second Lien Credit Agreement. Notwithstanding the foregoing, (i) if an Event of Default has occurred and is continuing, the Administrative Agent may apply any payments received in such order or proportion as the Administrative Agent, in its sole discretion, may determine and (ii) as among the Lenders, such payments shall be applied in accordance with subsection 2.4D(iii) below. The Borrowers shall deliver to the Administrative Agent and each Lender notice of each prepayment of Loans in whole or in part pursuant to subsection 2.4B(ii) not less than five (5) Business Days prior to the date such prepayment shall be made (each, a “**Mandatory Prepayment Date**”). Such notice shall set forth (i) the Mandatory Prepayment Date, (ii) the aggregate amount of such prepayment and (iii) the option of each Lender to (x) decline its share of such prepayment or (y) accept First Lien Declined Amounts. Any Lender that wishes to exercise its option to decline such prepayment or to accept First Lien Declined Amounts shall notify the Administrative Agent by facsimile not later than three (3) Business Days prior to the Mandatory Prepayment Date. Any Lender that does not decline such prepayment in writing on or prior to the third (3<sup>rd</sup>) Business Day prior to the Mandatory Prepayment Date shall be deemed to have accepted such prepayment but not elected to accept First Lien Declined Amounts.

(ii) Application of Prepayments by Type of Loan. In connection with any voluntary prepayments of the Loans by the Borrowers pursuant to subsection 2.4B(i), any such prepayments shall be applied first to Base Rate Loans to the full extent thereof before application to Eurodollar Rate Loans, in each case in a manner that minimizes the amount of any payments required to be made by the Borrower pursuant to subsection 2.6D. In connection with any mandatory prepayments of the Loans by the Borrowers pursuant to subsection 2.4B(ii), such prepayments shall be applied on a pro rata basis to the then outstanding Loans being prepaid irrespective of whether such outstanding Loans are Base Rate Loans or Eurodollar Rate Loans; provided that if no Lenders exercise the right to decline a given mandatory prepayment of the Loans pursuant to subsection 2.4C(i), then, with respect to such mandatory prepayment, the amount of such mandatory prepayment shall be applied first to Loans that are Base Rate Loans to the full extent thereof before application to Loans that are Eurodollar Rate Loans in a manner that minimizes the amount of any payments required to be made by the Borrowers pursuant to subsection 2.6D.

#### **D. General Provisions Regarding Payments.**

(i) Manner and Time of Payment. All payments by the Borrowers of principal, interest, fees and other Obligations hereunder and under the Notes shall be made in same day funds and without defense, setoff or counterclaim, free of any restriction or condition, and delivered to the Administrative Agent not later than 12:00 Noon (New York time) on the date due at the Funding and Payment Office for the account of the Lenders; funds received by the Administrative Agent after that time on such due date shall, at the Administrative Agent's sole discretion, be deemed to have been paid by the Borrowers on the next succeeding Business Day; provided that the Administrative Agent may, but shall not be obligated to, withdraw amounts from the Interest Reserve Account to pay or be applied to the payment of interest due on the Loans for each Interest Payment Date during the period beginning with the Effective Date and ending on the one year anniversary thereof (subject to sufficient funds being available in the Interest Reserve Account for such purpose) and the Borrowers hereby authorize the Administrative Agent to apply amounts in the Interest Reserve Account in order to cause such interest payments to be made. In the event funds in the Interest Reserve Account are not sufficient (or are not withdrawn) to pay such interest, the Borrowers shall be required to fund any

shortfall by the time required for payment of interest in this subsection. On the first anniversary of the Effective Date, so long as no Default or Event of Default has occurred and is continuing, all remaining amounts in the Interest Reserve Account shall be released to the Borrowers.

(ii) Application of Payments to Principal, Interest and Prepayment Fees. Except as provided in subsection 2.2C, all payments in respect of the principal amount of any Loan shall include payment of accrued interest and prepayment fees, if any, on the principal amount being repaid or prepaid, and all such payments (and in any event any payments made in respect of any Loan on a date when interest is due and payable with respect to such Loan) shall be applied to the payment of interest and prepayment fees, if any, before application to principal.

(iii) Apportionment of Payments. The aggregate principal, prepayment fees and interest payments shall be apportioned among all outstanding Loans to which such payments relate, in each case proportionately to the Lenders' respective Pro Rata Shares. The Administrative Agent shall promptly distribute to each Lender, at its applicable Lender Office, its Pro Rata Share of all such payments received by the Administrative Agent. Notwithstanding the foregoing provisions of this subsection 2.4D(iii) if, pursuant to the provisions of subsection 2.6C, any Notice of Conversion/Continuation is withdrawn as to any Affected Lender or if any Affected Lender makes Base Rate Loans in lieu of its Pro Rata Share of any Eurodollar Rate Loans, the Administrative Agent shall give effect thereto in apportioning payments received thereafter.

(iv) Payments on Business Days. Except if expressly provided otherwise, whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest hereunder.

(v) Notation of Payment. Each Lender agrees that before disposing of any Note held by it, or any part thereof (other than by granting participations therein), that Lender will make a notation thereon of all Loans evidenced by that Note and all principal payments previously made thereon and of the date to which interest thereon has been paid; provided that the failure to make (or any error in the making of) a notation of any Loan made under such Note shall not limit or otherwise affect such disposition or the obligations of the Borrowers hereunder or under such Note with respect to any Loan or any payments of principal or interest on such Note.

#### **E. Application of Proceeds of Collateral.**

Subject to the terms of the Intercreditor Agreement and except as provided in subsection 2.4B(ii) with respect to prepayments, all proceeds received by the Collateral Agent after an Event of Default or as a result of exercising remedies under the Loan Documents, in respect of any sale of, collection from, or other realization upon all or any part of the Collateral under any Collateral Document shall, in the discretion of the Collateral Agent, be held by the Collateral Agent as Collateral for, and/or (then or at any time thereafter) applied in full or in part by the Administrative Agent against, the applicable Obligations in the following order of priority:

(a) to the payment of all costs and expenses of such sale, collection or other realization, including, without limitation, reasonable compensation to the Agents and their agents and counsel, and all other reasonable expenses, liabilities and advances made or incurred by the Agents in connection therewith, and all amounts for which such Agents are entitled to indemnification under such Collateral Document and all advances made by the Collateral Agent thereunder for the account of the applicable Loan Party